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- 1. I think that in coming years the Chinese government can be divorced from the USSR's economic, military and political hold. Among the Chinese people there is a traditional friendship for the US and a traditional enmity toward the USSR. I have seen and heard, even under the Communists, so many expressions of hatred toward the USSR from civilians, Communist soldiers and businessmen that I am convinced the average Chinese is anti-USSR. Now (1954) the Chinese people live in cowed subjection to a pro-USSR regime, for which they have nothing but fear. This simply means that renewing pro-US sentiment among the people will be easy if they can be reached; to renew it with the regime will be much less easy.
- 2. It is my strong opinion that to reach these people the US should initiate direct trade with China. This would be the best method of divorcing them from the hold of the USSR. I know that Chinese are excellent businessmen and very sharp traders. With them, business would come before any political allegiance. Re-establishment of trade will re-establish business ties, then cultural ties, then win their friendship; not soon, but eventually. US goods can outperform, outsell, and undersell goods from the USSR under almost any circumstances. The Chinese would quickly realize this. While I was in Chinaefter the Communists took over (1949-1951), time after time many of my business friends told me that they were paying twice too much for everything they bought from the USSR. That rankled them, especially as they had no alternative. Trade with the US can make them less dependent on the USSR. The US can give them further proof through its goods that the USSR is a second-rate producer of such goods. The Chinese want to be proud of their own country and free from being overshadowed by anyone, the USSR included. If the US can lessen their dependence on the USSR,

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it can give them more power to break their bonds with that country. But the main point is that the Chinese businessman is a sharp trader. If the opportunity for profitable trade is presented to him, he is going to do everything he possibly can to do business with the originator of that opportunity.

- 3. Another advantage of opening trade relations is that this action would reestablish contact and association with the many still pro-US Chinese. It would make them feel less isolated and give them courage and a reason for their pro-US sentiment before the unending anti-US propaganda makes them lose hope. Furthermore, it would provide at least a limited access to information about the situation inside China, so that the US could better understand what to do to further promote commerce and friendship.
- 4. I do not think the US should recognize China nor allow her in the UN, certainly not at present. I feel that the worst kind of Communist politicians like Chi are in control or are very strongly influencing the control of China at present. Failure to obtain recognition and failure to obtain a seat in the UN have been the cause of a continued loss of face to this regime. Loss of face is serious in the Orient. Perhaps in the future, if trade progresses, recognition might be offered to bring in a more pro-US government in place of the present one. If China finds the USSR cannot obtain a UN seat for her, some other means will probably be sought to achieve this world acceptance.
- 5. If trade is renewed with China, there are possible other steps that might divorce China from dependence on the USSR. It might be possible in the name of "aiding trade" or some such purpose to furnish technical ability to help China economically, such as agricultural reforms, development of water power, irrigation, etc. These things would build more friendship between the US and China instead of between the USSR and China. The Chinase are smart enough to take advantage of the country which can benefit them most and offer them the most independence. Gradually perhaps a less USSR-oriented and a more US-friendly government would be possible and a less dependent relationship exist between China and the USSR.

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Communists had promised the Chinese people that the US would invade. The regime had based the hate-the-US propaganda on this thesis and kept the people keyed up in this expectation. When month after month this invasion failed to materialize, many Chinese became convinced that the Communists were liars. Of course, they dared not express this openly, but they felt it. That was serious loss of face for the regime. It seemed to me remarkably wise that in spite of all the provocations the Chinese gave, the US carried out this policy. As long as the US refuses to invade or attack, the Communists are seriously hampered in their hate-the-US propaganda.

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